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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 19

NIKKEI (Page 2) (Full)
February 20, 2009

07:49

Met with Deputy Chief Cabinet Secretary Matsumoto at the Kantei.

08:57

Met with LDP Research Council Senior Deputy Chairman Sonoda in the Diet building.

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08:59

Attended a Lower House Budget Committee meeting.

13:02

Met at the Kantei with Asian Development Bank President Kuroda, followed by Assistant Chief Cabinet Secretary Fukuda, Yamazaki of the Cabinet Office, Cabinet Office policy directors general Matsumoto and Saito.

14:03

Met with British State Minister for Africa, Asia and the United Nations Malloch-Brown, followed by Vice Foreign Minister Yabunaka and Chief Cabinet Secretary Kawamura.

15:14

Met with Japan Institute of International Affairs incoming and outgoing presidents Yoshiji Nogami and Yukio Sato, followed by Nishi-Nippon City Bank President Kubota, Royal Holdings Chairman Kusumoto, and others, in the presence of Deputy Chief Cabinet Secretary Konoike. Kubota stayed on. Afterward met with Takashi Kiriku, who will become new Japan Pension Organization president.

16:27

Met with LDP Secretary General Hosoda, Diet Affairs Committee Chairman Oshima, New Komeito Secretary General Kitagawa, Diet Affairs Committee Chairman Urushibara, and Kawamura. Hosoda, Kitagawa and Kawamura stayed on.

17:02

Met with Cabinet Intelligence Director Mitani. Afterward attended a Council on Economic and Fiscal Policy meeting.

18:11

Attended a monthly economic ministers meeting.

19:23

Met at his official residence with Defense Minister Hamada, LDP Senior Deputy Secretary General Hayashi, Diet Affairs Committee Deputy Chairman Okonogi.

4) Mood for replacing prime minister gaining ground in LDP: Faction leaders eyeing his stepping down after passage of budget

ASAHI (Page 1) (Full)
February 20, 2009

A mood for replacing Prime Minister Aso is gaining ground in the Liberal Democratic Party (LDP). The dominant view not only among anti-Aso forces but also among faction leaders and senior members is that it has become impossible to go into the next general election with Prime Minister Aso. Many are determined to support the prime minister until the fiscal 2009 budget bill is enacted this spring. However, coordination for a post-Aso political situation will likely move into full swing in preparation for the upcoming general election.

Chairman Koki Chuma at a plenary meeting of the Aso faction on February 19 said, "What is most important is not so much helping Mr. Aso but passing the budget." He then revealed that faction leader-class members at a meeting on the morning of the 18th agreed to do their utmost for the enactment of the budget, leaving the rest behind to be worked out later. He hinted at a possibility of the

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prime minister stepping down after passage of the budget.

The meeting on the 18th brought together Chuma, former Chief Cabinet Secretary Nobutaka Machimura, Tax System Research Commission Chairman Tsushima, Election Committee Chairman Makoto Koga, former Secretary General Taku Yamasaki, former Secretary General Bunmei Ibuki and Economy, Trade and Industry Minister Nikai. One participant said, "The situation does not permit us to go into the election with Prime Minister Aso. We must think about the situation after the election." Another participant rebutted, "What is most important now is to enact the budget." The meeting thus reportedly vowed to contain criticism of the prime minister until passage of the budget.

Former Prime Minister Mori, former LDP caucus in the Upper House Chairman Mikio Aoki and Yamasaki held talks. Tsuneo Watanabe, chairman of the Yomiuri Shimbun Group Head Office Chairman, was also present.

According to a participant, some said, "We cannot go into the election with Prime Minister Aso." Mori took the part of the listener. A lawmaker close to Mori on the 19th indicated his view that there are indications that Mori is changing his stance, saying, "Mr. Mori supported Mr. Aso. However, that was before Mr. Nakagawa resigned as finance minister."

However, there is no candidate most likely to replace Aso. As such, as long as the prime minister desires to maintain his administration, it is difficult to replace him. The prime minister's plan is to contain the move to oust him by coming up with an additional stimulus package after passage of the budget. The situation is that once the fiscal 2009 budget clears the Lower House, bargaining between the Kantei and the LDP will start over the prime minister's future course of action.

5) Prime Minister Aso gives up on taking vote on fiscal 2009 budget in Lower House before visiting U.S.

TOKYO SHIMBUN (Page 2) (Full)
February 20, 2009

Prime Minister Taro Aso met yesterday afternoon with the secretaries general and Diet affairs committee chiefs of the ruling Liberal Democratic Party (LDP) and New Komeito, the LDP's junior coalition partner, at the Prime Minister's Official Residence (Kantei). In the meeting, Aso and ruling coalition officials agreed to put off taking a vote on the fiscal 2009 budget legislation to after Feb. 25, when Aso returns from the United States. Although the ruling parties initially had a plan to pass the budget in the House of Representatives on Feb. 23, ahead of his departure for Washington, they gave up the plan due to strong resistance by the opposition parties. The waning power of the Aso administration has now spread to its Diet management.

Aso, referring in the meeting to handling of the budget, said: "It is important to enact it before the end of the current fiscal year, at any rate. I do not at all think that the budget need be passed before I leave for Washington."

After the meeting, LDP Diet Affairs Committee Chairman Tadamori Oshima explained the decision to put off passing the budget in the Lower House, saying: "Objectively, there is the problem of former

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Finance Minister Shoichi Nakagawa. There is a diplomatic schedule problem. Deliberations are insufficient." He then added: "We take

humbly (these problems). We will not take a forced vote before the prime minister returns."

The ruling coalition will continue to hold a question-and-answer session in the Lower House Budget Committee while Aso is in the United States. The ruling camp also plans to take a vote on the budget on the 26th in the committee and adopt it in a Lower House plenary session so that the bill will clear the Lower House next week.

However, if the ruling bloc expects natural passage of the budget 30 days after it clears the Lower House base on the Constitution, the budget must be passed by the Lower House by March 2.

6) DPJ perplexed by drive in LDP to unseat Aso, concerned about change in public opinion

SANKEI (Page 5) (Excerpts)
February 20, 2009

The main opposition Democratic Party of Japan (DPJ) is now being puzzled about growing momentum in the ruling Liberal Democratic Party (LDP) to remove Prime Minister Aso from office. This is because the DPJ is concerned that even though the party succeeded in driving Aso into a corner by forcing the resignation in disgrace of Finance Minister Shoichi Nakagawa, if the LDP presidential election is speeded up and there is a new president and thus prime minister, the popularity of the new president, might rise.

Asked yesterday by reporters about calls in the LDP for Aso to step down from office, Azuma Koshiishi, chairman of the DPJ caucus in the House of Councillors, stressed that the Lower House should be dissolved as quickly as possible for a general election. He stated: "I wonder whether we should let such a government manage state affairs. I want (the government) to receive the judgment of the people." Deputy President Naoto Kan also said: "The LDP now utterly lacks the capability of maintaining itself in power."

With the exposure of such government's weaknesses as the Nakagawa's abrupt resignation and Aso's remarks on a review of the postal privatization program, a junior DPJ lawmaker said: "Even if we don't do anything, the prime minister himself will stumble." The same lawmaker added: "The best scenario" for the DPJ is to force the prime minister, who is under increasing pressure, to dissolve the Lower House after enactment of the fiscal 2009 budget.

DPJ President Ichiro Ozawa, as well, has said: "We have no intention of unnecessarily dragging out deliberations. The election will be held in April after the budget is enacted."

Meanwhile, the DPJ is worried about a possibility that if a new government is inaugurated after Aso is forced out by LDP forces opposing him, the trend of public opinion will change.

A senior DPJ member said: "What we have to do is to protect the prime minister. It is important to prevent him from stepping down."

7) Aso's secretary used good offices by sending letter to former deputy health minister regarding dentist's son desiring to enter

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medical school

MAINICHI (Top play) (Abridged slightly)
February 20, 2009

Prime Minister Taro Aso's parliamentary private secretary, Ichiro Muramatsu, last summer introduced a former deputy health minister to a Tokyo dentist after he was consulted about the son's desire to enter a private medical school, it was learned from documents obtained by the Mainichi Shimbun. Muramatsu explained: "It is a fact that I asked (the former deputy minister) for his guidance about entering a school, but not even one yen was paid. What is wrong with that?" Now that the use of good offices by Prime Minister Aso's aide has become clear, it is likely to spark controversy over its

propriety.

Back then, Aso was not yet prime minister, and Muramatsu was his parliamentary private secretary. The former deputy minister said, "I received the document but I did not do anything." Although the dentist in question indicated that he did not know anything, the dentist's wife told Muramatsu, "(Our son) passed the examination."

According to Muramatsu's explanation, he was consulted by the Bunkyo Ward dentist who has a dental clinic in Kita Ward about his son who had failed an entrance exam but wished to enter a private Tokyo medical school. Muramatsu wrote a letter mentioning the matter to the former deputy minister.

Muramatsu said: "I wrote, 'Since I am not well-versed in the matter, I would like to ask for your guidance.' Guidance meant guidance for higher education. I simply introduced the case (to the former deputy minister), and I don't know anything about what took place between (the former deputy minister and the dentist) afterward." He also said: "I heard from the (dentist's) wife, '(Our son) passed the examination.'"

Meanwhile, the former deputy minister said in an interview with the Mainichi Shimbun: "I have no recollection of it." But in an interview after Muramatsu admitted his involvement, the former deputy minister reversed his stance and said: "I checked my notebook, and I found a memo (mentioning the letter)." But about Muramatsu's explanation of the letter, he said: "There was no explanation. He just told me, 'I will send you (the document).'

Muramatsu became Aso's secretary in 1986 and his policy secretary in 1994. After assuming such posts as the internal affairs and communications minister's secretary in 2003, he became Aso's secretary when Aso became prime minister last September. Meanwhile, the former deputy minister futilely ran in the 1998 Upper House proportional representation segment on the LDP ticket after serving in such posts as physical education and sports supervisor. His contacts with Aso began around 1988 when Aso was serving as served as education parliamentary secretary. Currently, he is a director of the Women's Japan Basketball League Organization, which is chaired by Aso.

8) Secretary Muramatsu used good offices for medical school; "What

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is wrong with introduction?" Denies involvement of money

MAINICHI (Page 21) (Excerpt)
February 20, 2009

While the political world is still in turmoil due to Shoichi Nakagawa's resignation as finance minister and financial services minister, it has come to light that Prime Minister Taro Aso's parliamentary private secretary, Ichiro Muramatsu, had introduced a former deputy education minister in order to give "guidance" to a dentist about his son who was desiring to enter a medical school. About using good offices, Muramatsu said, "What is wrong with that?" In 2002, House of Representatives member Kazuaki Miyaji resigned as health, labor, and welfare minister for allegedly telling the examination identification number of a person connected with his supporter association to the university that gave the examination.

9) Prime Minister Aso, fatigue piling up, has been returning home an hour and a half earlier than usual, cuts back bar hopping to 10 to 4 evenings

ASAHI (Page 4) (Excerpt)
February 20, 2009

It has been a month since Prime Minister Aso moved from his private residence at Kamiyama-cho in Tokyo to the prime minister's official

residence (Kotei). Compared to the one-month period prior to moving to his new home, the average time for his returning home on weeknights is an hour and a half earlier than before: it is now 9:04 pm instead of 10:35 pm. The main reason is that he has cut down on nightly meetings.

There has been a crescendo of criticism of the Prime Minister's nightly forays. Liberal Democratic Party (LDP) special assistant to the president Yoshinobu Shimamura, a former Agricultural Minister, repeatedly urged Aso: "I don't know whether your intention is have a nightcap or boost your spirits, but your drinking will be misunderstood. It is not just your personal business." In actuality, before the residence move, Aso used to go out after work to fancy restaurants and hotel bars 25 times a month, but has now cut it back to 10 times. He has cut back on bar hopping from 10 to four times in a month.

10) Senior LDP members dine without imbibing after Nakagawa's disgraceful performance

TOKYO SHIMBUN (Page 2) (Full)
February 2009

Chief Cabinet Secretary Takeo Kawamura and the secretaries general of factions in the Liberal Democratic Party (LDP) last night took a meal together at a Japanese restaurant in Tokyo. Learning lessons from the resignation in disgrace of Shoichi Nakagawa as finance minister, the senior LDP members dined without alcoholic drinks. They appear to have been cautious before media cameras so that they would not come under criticism from the public.

One member said that they had drunk only tea, although the restaurant served blowfish dishes. Yoshiro Yatsu, a member of the Tsushima faction, who arranged the meeting, told reporters: "I did not let them drink sake. I let those who asked for alcohol to return home earlier." Therefore, some participants stayed at the restaurant

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for only 40 minutes.

11) Nakagawa visited Vatican after press conference; Wine ordered by him

SANKEI (Page 3) (Full)
February 20, 2009

Former Finance Minister and State Minister for Financial Services Shoichi Nakagawa visited a Vatican museum in Rome after holding the press conference following the G-7 finance ministers and central governors meeting that became the cause of his resignation, it was learned yesterday. Nakagawa visited Vatican City for about two hours from around 4 p.m. Feb. 14. He was accompanied by Finance Ministry International Bureau Director General Rintaro Tamaki, the ambassador to Italy and others. He left Rome for Japan at 7:30 p.m.

This became clear from the Financial Ministry's explanation on Nakagawa's actions and who accompanied him. On Feb. 14, the day the press conference in question took place, Nakagawa had a pasta lunch for about 35 minutes at a hotel after the G-7 meeting. At the dinner table were Tamaki, two Finance Ministry officials, a secretary, an interpreter, an acquaintance, and a reporter. Nakagawa reportedly ordered wine and offered it to the people around the table.

He then returned to his hotel room and attended the Japan-Russia finance ministerial from 2:50 p.m. After the meeting, he rested for about 30 minutes in a chair in the room where the meeting took place and scanned through the data. He then returned to his room and spent several minutes there and headed for the press conference in question, telling the Finance Ministry officials, "Let's go."

Meanwhile, Prime Minister Taro Aso apologized before the House of Representatives Budget Committee yesterday for Nakagawa's behavior and the subsequent developments: "Mr. Nakagawa's attitude invited anxiety and distrust in the world. It is truly regrettable. I feel deeply sorry that while the fiscal 2009 budget is being discussed, the finance minister, who takes charge, has been replaced." Aso also

admitted his responsibility for appointing Nakagawa, saying: "The responsibility for appointing him as a cabinet minister naturally rests with me."

12) Serving in three posts concurrently, Yosano walking on tightrope: Increased burden affecting actual work, as seen in his absenting himself from key meetings or postponing such

NIKKEI (Page 2) (Abridged slightly)
February 20, 2009

Yosano is serving in three posts -- minister of finance, state minister for financial services, and state minister for economic and fiscal policy - and walking on a tightrope. Though this is an urgent situation, the weight of the burden placed on him is unprecedented. When Democratic Party of Japan (DPJ) Deputy President Naoto Kan at a meeting of the Lower House Budget Committee on February 19 said to him, "It is tough, isn't it?," he complained, "I wish you could serve in one of my three posts."

Top priority given to Diet deliberations

Yosano is giving top priority to Diet deliberations on such issues as the fiscal 2009 budget bill. He has decided to absent himself

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from a meeting of the Association of Southeast Asian Nations (ASEAN) and a financial ministerial meeting slated for the 22nd. A meeting of the fiscal system council, an advisory body reporting to the finance minister, has also been postponed.

However, he must play a role of the control tower in compiling an additional stimulus package when presiding over a meeting of the Council on Economic and Fiscal Policy. He is scheduled to attend along with Prime Minister Aso the 2nd emergency financial summit to be held in London on April 2. Aides to Yosano are worried whether he can manage his responsibilities concerning the financial summit.

Yosano has five secretaries, who are close to the prime minister. Some are concerned about their relations with one senior Cabinet Office noting: "Their personal relationships are good. However, I wonder whether they can maintain that friendly relationship, when they represent government offices to which they originally belong."

Referring to Yosano serving in three posts, Japan Chamber of Commerce and Industry President Tadashi Okamura expressed his expectation: "Heavy duties have been assigned to Mr. Yosano. Given his health condition, it would be better if his burden is lighter. However, Mr. Yosano is the only person who can overcome this difficult situation"

De facto "Yosano administration"

According to the Cabinet Office Law, there is no limit to the number of posts one cabinet minister can serve concurrently. However, it is very unusual for such key posts as finance minister and state minister for economic and fiscal policy to be held by one person, as an official of the Cabinet Secretariat said. Authority over economic matters is now concentrated in one person. As such, one senior ruling party member, who is distancing self from Yosano, is increasingly alarmed about the situation, noting, "This is a de facto Yosano administration."

Yosano will likely serve in the current posts until the fiscal 2009 budget and related bills secure Diet approval. One reason that Yosano was picked as a successor to Nakagawa is handiness, that is to say, his assuming the post of finance minister and state minister for financial services does not require an attestation ceremony and he is able to make stable Diet replies readily. Some in the ruling parties view that if he is relieved of the current burden, he will remain as finance minister and state minister for financial services, and somebody else will succeed as state minister for economic and fiscal policy. Others, however, maintain that his successor should be formally chosen from among those who have previously served as finance minister.

13) Economy in severe situation, monthly report for February notes: Downward revision made for fifth consecutive month; Consumption drops for first time

NIKKEI (Page 2) (Full)
February 20, 2009

The government on February 19 finalized its monthly economic report for February, downgrading the overall economic assessment for the fifth consecutive month. The report notes that the economy is under harsh conditions with rapid economic deterioration continuing. It has determined that the global recession had cooled off Japan's

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domestic demand and consumer spending had for the first time begun declining slowly. Exports, production and capital investment by companies are in a slump. The report indicates a possibility of the recession becoming protracted, noting that there exist risks that will further depress the economy.

According to the Cabinet Office, records of its overall economic assessments since 1998 are tractable. The downward revision for five consecutive months is the longest-ever record. The previous record was the February - June period of 2001, when the economy took a downward turn, following the collapse of the IT bubble.

In making overall economic assessment for February, the office has added with the words "a severe condition" to the January report, which mentioned that the economy was "deteriorating rapidly." It is strongly aware that the level of economic activities is low. There are no signs of exports and industrial output, which marked the steepest-ever fall around the end of last year, recovering. The operating rate index of the manufacturing sector, which the Ministry of Economy, Trade and Industry compiles, marked the lowest-ever level in December 2008. The stagnation in corporate activities has become noticeable.

14) Government, ruling coalition mulling time-limited system to pay full amount of each project in additional economic package

TOKYO SHIMBUN (Top Play) (Full)
February 20, 2009

The government and the ruling parties plan to submit an additional economic stimulus package after the fiscal 2009 budget is enacted. They intend to use government money to finance the public works projects in the package, without asking regional governments to bear a certain level of the total expense of each project, according to informed sources yesterday.

The Local Government Finance Law requires the local government concerned to disburse a certain percentage of the total cost of a public works project ordered by the central government. If this plan is adopted, it will be a major policy switch.

The government and the ruling camp have decided to work out details of the package in mid-March, but they expect to adopt a special system with a time limit, for instance, under a special measures law. They are also considering the possibility of reviewing the current burden-sharing system itself over a medium to long term. Giving consideration to growing calls for a review of the burden-sharing system from local governments beset by fiscal straits, the government intends to reduce the burden on their finances and raise the effectiveness of the economic package.

The budget scale of the package has yet to be decided, but construction bonds are likely to be used as the main source of revenue. The projects now under consideration include those related to infrastructure construction and environmental investment, such as rebuilding or repairing old bridges, making public facilities earthquake-resistant, and spreading solar power generation devices across the nation. A government source said: "Investment will be made mainly in areas that are expected to produce a major effect." The government will also look into creating a new system to extend interest-free loans to the local governments involved in new Shinkansen bullet-train projects.

In response to a request by Osaka Governor Toru Hashimoto to review the burden-sharing of his government for projects under its immediate supervision, the government reduced the amount to be borne by Osaka in the fiscal 2009 budget bill. Since then, future options for burden-sharing between the central and local governments have been earnestly discussed. The National Governors' Association also asked Land, Infrastructure, Transport and Tourism Minister Kazuyoshi Kaneko to review the burden-sharing system.

Niigata Governor Hirohiko Izumida was pressed with a higher bill than the initial amount that his government should pay for a project to extend the Hokuriku Shinkansen line and decided to freeze it, complaining: "The central government has not given a sufficient explain." Other local governments located along the line have also voiced complaints.

15) Vice foreign minister to visit U.S.

TOKYO SHIMBUN (Page 2) (Full)
February 20, 2009

The Foreign Ministry announced yesterday Administrative Vice Foreign Minister Mitoji Yabunaka will visit the United States from today to meet with U.S. Deputy Secretary of State Steinberg.

Yabunaka will exchange views on such issues as North Korea policy and economic crisis management in preparation for the first summit meeting of Prime Minister Aso and President Obama to be held in Washington on Feb. 24.

16) Defense chief to visit China next month

NIKKEI (Page 2) (Full)
February 20, 2009

The Japanese and Chinese governments are coordinating a schedule for Defense Minister Yasukazu Hamada to visit China next month. Hamada will be the first defense chief to visit China in five and a half years since Defense Agency Director General Shigeru Ishiba visited that country in September 2003. In mid-March, Japan will host a security meeting of working-level diplomatic and defense officials in Tokyo. The two governments will accelerate defense exchanges in order to provide for growing uncertainties over the security situation in East Asia and contingencies.

During his visit to China, Hamada will meet with Chinese Defense Minister Liang Guanglie and other officials and is expected to exchange views on such matters as sharing information regarding antipiracy activities in waters off the eastern African coast of Somalia and improving the transparency of China's defense spending in its military modernization process. Hamada may touch on the Chinese defense ministry's plan to build aircraft carriers.

The security dialogue between Japan and China was last held in July 2006. The two countries will discuss how to push ahead with bilateral cooperation on United Nations peacekeeping operations as well as disaster relief activities and how to communicate between the two governments in the event of emergencies. They are also expected to discuss the increasingly uncertain situation in North Korea that is reportedly preparing to launch a long-range ballistic missile.

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Japan and China were inactive in their bilateral defense exchanges when the Koizumi cabinet was in office. Recently, however, the two countries have been activating such exchanges. In August 2007, China's defense minister visited Japan for the first time in nine and a half years. On Feb. 19, Ge Zhenfeng, deputy chief of the Chinese People's Liberation Army general staff, who visited Japan, met with Hamada and agreed to realize Hamada's China visit at an

early date and propel exchanges between the Self-Defense Forces and the PLA.

"The new U.S. administration under President Obama has now set forth its policy of attaching importance to Afghanistan," a senior Defense Ministry official said. "In such a situation," this official went on, "there's no doubt that the relationship between Japan and China will become more important in East Asia." He added, "Although we're at odds on some points, we'll need to strengthen relations between the two countries."

17) Antipiracy legislation allows firing on pirate ships

TOKYO SHIMBUN (Page 1) (Abridged)
February 20, 2009

The government is planning to present a bill to the Diet next month for a new law against pirates, and its outline was revealed yesterday. The focus is on easing the government's guidelines for the Self-Defense Forces to use weapons or the so-called rules of engagement (ROE). In this regard, the SDF will be allowed under the currently existing police duty execution law to fire on pirate ships even if Japan Coast Guard or Maritime Self-Defense Force vessels are not under direct attack.

The government is now preparing to send out MSDF destroyers in mid-March for an antipiracy mission in waters off the eastern African coast of Somalia by invoking an action for maritime security operations under the current SDF law. The MSDF's use of weapons will be under the police duty execution law and will be limited to either legitimate self-defense or emergency evacuation stipulated in Article 7 of the law.

The police duty execution law, in its paragraph 2 under Article 7, also allows police officers to use weapons in order to carry out their duties. However, whether the SDF can be allowed to fire on target ships under that paragraph has been regarded as a 'gray zone.' Accordingly, there may be some cases where the commanding officer will waver over the use of weapons.

The new law will therefore specify that the SDF may use weapons under that paragraph's provisions. In concrete terms, the MSDF will be allowed to fire on armed pirate ships in order to stop them.

ZUMWALT